Budget Policy Statement

SECTION 1: <u>RESERVES AND CONTINGENCIES</u>

- <u>Operating Funds</u>—The City will assemble sufficient cash reserves in operating funds for working capital so that short term cash flow financing is not required. The cash reserve will be no less than 25% of the next year's operating budget. Operating funds are defined as the general, road use tax, employee benefits and enterprise funds.

- <u>Equipment Replacement Reserve Fund</u>— The City will establish and maintain an equipment replacement reserve fund to provide for the scheduled purchase of vehicles and equipment, and will annually appropriate funds to it to provide for the timely upgrading and replacement of vehicles and equipment. The amount added to this fund by annual appropriation will be the amount required to maintain the fund at the approved level after credit for the sale of surplus equipment and interest earned by the fund. It is the City's intent that the reserve fund replaces the City's need to borrow, through capital lease purchase agreements, for vehicle and equipment acquisitions and other improvements.

SECTION 2: <u>REVENUE</u>

- <u>Property Taxes</u>—In order to provide stability and consistency, the property tax levy should remain unchanged unless determined necessary through an annual review.

- <u>Tax Increment Financing</u>—No less than 40% of the incremental value from all urban renewal districts combined will continue to be released to all taxing jurisdictions.

- <u>Municipal Enterprises</u>—All utilities, including water, sanitary sewer and storm water enterprise programs, should be fully self-supported through user fees or charges.

- <u>Park and Recreation Fees</u>— The City will attempt to cover at least 45 percent of the total cost of recreation programming by charging fees for recreation activities and use of city facilities and equipment.

SECTION 3: <u>OPERATING EXPENDITURE POLICIES</u>

- <u>Base Budgets</u>—City base budgets will reflect expenditures necessary to maintain staffing levels and fund prior year commitments. The City will maintain a fiscally sustainable, balanced base budget. Ongoing expenditures are to be matched with ongoing financing sources. The City will examine the financial condition of base budgets in advance of evaluating requests for increases in service levels and supplemental requests.

- Operating Expenses—Limit department increases for routine, ongoing operating expense line items to 3% or the Consumer Price Index (CPI) increase.

- Employee Compensation and Benefits—The City desires to be competitive in the market place, continue positive labor relations, and attract and retain top talent. Competitive salary and benefits will be provided to all employees within the City's means, with the expectation that services being provided by all staff shall continue to be exemplary. The City will annually review changes in market pay and evaluate the incorporation of across the board market structure adjustments in pay plans.

- Staffing—Consider new personnel as recommended by the City Manager.

- Capital Outlay—The operating budget provides for adequate maintenance of capital assets and equipment and provides for their orderly replacement.

SECTION 4: EXTERNAL PROGRAMS

- Hotel/Motel Tax Fund—Authorize allocation of tax revenues to satisfy contractual agreements, commitments to City operations and Ankeny-based organizations.

SECTION 5: CIVIC TRUST FUND

- City Obligations—The City's commitment to the Prairie Trail development for construction of public infrastructure and amenities totals $20 million. The civic trust fund amendment increased the City's total for project planning and construction by another $20 million, resulting in a total commitment of $40 million.

- Developer Obligations—The developer's commitment to the Prairie Trail development for construction of public facilities and public grounds totals $18.75 million. In addition, the developer is committed to support construction of public facilities outside of Prairie Trail totaling $6.25 million. The civic trust fund amendment increased the developer's total for public facilities and public grounds in Prairie Trail by another $20 million. The developer's total commitment is $45 million.

- Resource Allocation—The City will allocate Prairie Trail resources in direct relation to authorized civic trust fund commitments.

- Revenue Forecasting and Monitoring—The City will develop and maintain a civic trust fund revenue monitoring system to assist in trend analysis and revenue forecasting.

SECTION 6: CAPITAL IMPROVEMENT PROGRAM

- Projects—Evaluate all requests for capital improvement projects using the following criteria:

  a. Source of funding including availability of additional revenue
  b. Total project cost (design and development) and schedule for completion
  c. Operating and maintenance costs for at least a five-year period following completion
  d. Useful life of asset
  e. Benefits to the City including, but not limited to, the affect on future operating and maintenance costs, economy, services, public health and safety, environment, segment of population to be affected, and special considerations
  f. Alternatives considered
  g. Consequences of not funding or deferral
  h. Evaluation of citizen input
  i. Impact on strategic plan for the City

- Cost Estimates—Revise cost estimates after completion of design.

- Design—Design facilities using current technology in order to be efficient and cost effective, protect the public welfare and minimize adverse effects on the environment.

- Multi-Year Projects—Annually evaluate multi-year capital projects.

- Priorities—Give priority to replacement or repair of existing assets.

- Plan Maintenance—Prepare and update annually a capital improvement program including construction and purchase of City assets.

- Non-Construction Expenses—Limit interest, operating, administrative and/or maintenance expenses capitalized for capital projects to those expenses incurred prior to actual operation of the facility.

- Offices—Consolidate offices into fewer buildings and move from leased to owned facilities as much as possible.

- Long-Term Financing—Long-term borrowing shall be limited to capital improvement projects that cannot be financed from current revenues and to capital equipment with a useful life of 20 years or greater and a purchase cost of $250,000 or greater. Other policies governing long-term debt include:

  a. Long-term debt shall not be used for current operations.

b. Any capital improvement projects or capital equipment financed through bonds should be financed for a period not to exceed the expected useful life of the project or equipment.
c. Total debt outstanding, including overlapping debt, will be considered when planning additional debt issuance.
d. The City's share of paving projects, including the cost of over-width or over-depth paving of major streets, should be financed with road use tax funds or other revenue sources when funds are appropriate and available.
e. The City's share of utility projects, including the cost of over-sizing of water, sewer and storm water mains, should be financed with utility funds and other revenue sources when funds are appropriate and available.
f. The use of general obligation bonds for projects does not dismiss the potential of pro rata payment for debt service by specifically benefited funds such as tax increment financing, road use tax, water, sewer or storm water.
g. Financing requirements will be reviewed annually. The timing for financing will be based upon the City's need for funds, market conditions and debt management policies.
h. The City will maintain good communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.
i. Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered if and when there is a net economic benefit of the refunding or the refunding is essential in order to release restrictive bond covenants, which affect the operations and management of the City.
j. The City will annually review opportunities to convert projects historically utilizing pay-as-you-use financing (debt) to pay-as-you-go financing (cash) in an effort to reduce long-term debt.